

Certification of Claims Report

Director: Netta Meadows *Strategy and Support Services*
Lead Officers: Nicola Hix, *Interim S151 Officer*
Catherine Hood, *Specialist (Finance)*
Contact Details: Nicola.hix@southsomerset.gov.uk or (01935) 462612
Catherine.hood@southsomerset.gov.uk or (01935) 462157

Purpose of the report

1. This report introduces the annual report from our external auditors Grant Thornton on their findings from the signing off of the Housing Benefit Subsidy Claim for 2018/19.

Recommendations

2. The Audit Committee is asked to note the contents of the Certification of Claim Report for 2018/19.

Introduction

3. The Certification of Claims Report is included within the remit of the Audit Committee under its terms of reference as follows:

“To consider the effectiveness of the Council’s risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action has been taken”

“To consider the reports of external audit and inspection agencies and seek assurance from management that action has been taken”

Subsidy Claim

4. The external auditors certify the subsidy claim for the Housing Benefit Scheme. The report from Grant Thornton is attached at Appendix A. The total claim was £32,445,880 and as a result of the findings through the audit process, an amendment to the claim is required to the value of £89,041. This sum is due to be paid to the Department for Works and Pensions (DWP).
5. In accordance with the Housing Benefit Assurance Process (HBAP) modules an initial sample of cases was completed for all general expenditure on the subsidy claim. Given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases were tested.
6. The areas where errors were found were: -
 - a. Earned income
 - b. Self-employed income
 - c. Tax credits
 - d. Pension credit savings
 - e. Classification of overpayment

7. Where errors were found and it was possible to identify and check all the claims which may be affected by the same error, all claims were checked and the claim was amended to take into the result of the checking.
8. Where 100% checking was not possible due to the number of claims that needed to be checked, extrapolation then takes effect. Extrapolation is where a % error rate found, when testing a sample of 40 claims for that error, is applied to the total amount which may be affected by the error.
9. The errors found, where 100% checking couldn't be carried out, totalled £595 and the total sample value was £524,545. As explained above, this % error rate has to be extrapolated, resulting in an overall impact on SSDC of £89,041.
10. An example of how extrapolation works is shown in the table below:

Sample	Movement / brief note of error	Sub population total (CT)	Sample error (SE)	Sample value (SV)	Percentage error rate (SE/SV)	Cell adjustment (SE/SV x CT)
Combined sample – 60 cases	Incorrect application of tax credits	£32,466,497	£109	£219,458	0.050%	£16,233

11. So, in the example above when testing tax credits, errors totalling £109 were found, which is 0.050% of the total value of benefits in the sample. The error rate i.e. the 0.050% has then been extrapolated against the sub population value of £31.46 million and the resulting £16,233 is the amount the claim has to be adjusted for in respect of the error.

Financial Implications

12. The final outcome of the claim was an additional payment of £89,041 due to the Department of Works and Pensions (DWP).
13. Whilst we owe the DWP £89,041, we have £129,025 in reserves. The DWP provide an incentive to Local Authorities (LA) whereby depending on the amount of the LA overpayments on the final subsidy claim when compared to the 100% expenditure on the final claim form we receive either nil, 40% or a 100% of the LA overpayments. This sum is put into a reserve account pending the outcome of the audit.
14. The indicative scale fee set by PSAA for the Council for 2018/19 was £9,898. Work undertaken is subject to a fee variation due to extra work being carried out. The fee for certifying the Housing Benefit return and 2018/19 audit is £14,000.

Background Papers

Housing Benefit Subsidy Claim